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HSC BRIEFING

20 December 1954

Effect of Imminent German Rearmament on Soviet Lines of Action:

I. Paramount objective of Soviet foreign policy is to prevent incorporation of rearmed West Germany in Atlantic alliance.

A. Imminent possibility that this objective will be frustrated.

B. Failure to achieve objective could force Soviet reappraisal of otherwise successful "soft" policy and lead to retaliatory action. Hence we face period which requires unusual vigilance.

Although average 2-3 years between accords and actual existence German force in being.

II. Approaching ratification of Paris agreements being met by Moscow with threats to:

A. Strengthen *Soviet Bloc* war machine. — add Budget-juggling

B. Perpetuate division of Germany and occupation of Austria.

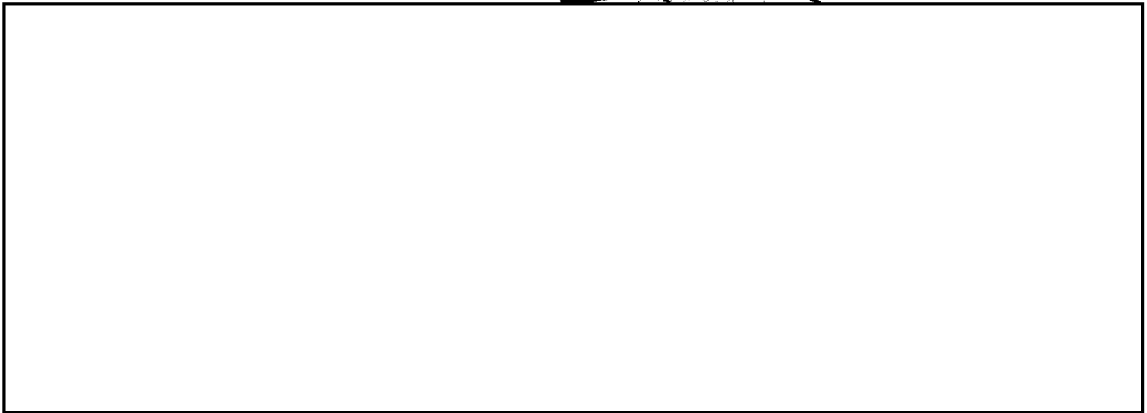
C. Abrogate Franco-Soviet and Anglo-Soviet Treaties of Alliance and Mutual Assistance (against German aggression).

D. Refuse to negotiate with West on any issues after ratification.

III. Moscow, unwilling to make major concessions, could resort to other overt attacks against Paris agreements, such as following:

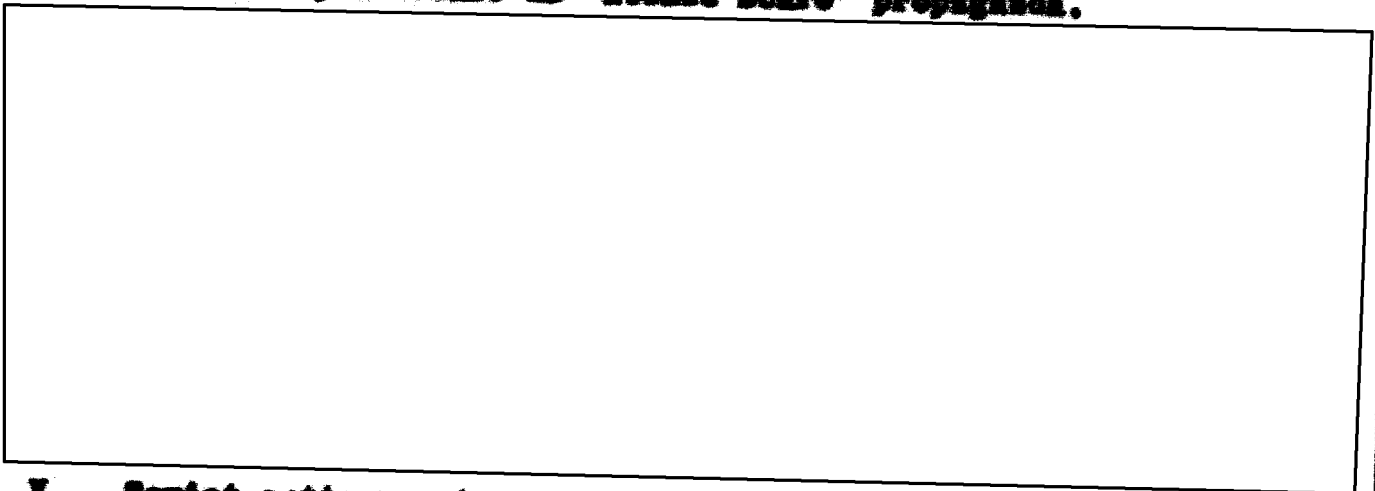
A. Harassment in Berlin to generate fear of Communist attempt to force Western withdrawal from city.

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- B. French Communist attempts to foment political strikes and demonstrations aimed at producing chaos and breakdown of civil order.
- C. Increased Soviet support of Chinese Communist belligerent threats and actions in Far East to generate fears of general war and exploit divisive issue existing in Western coalition.
- D. Threat to break off disarmament negotiations.
- E. Heavy increase in "atomic scare" propaganda.

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- V. Soviet action against integration of armed West Germany into Western defense expected to develop in three phases:
 - A. Current phase--threats and pressure to delay or prevent parliamentary action. This phase will extend over parliamentary action in West Germany if agreements ratified in Paris.

B. Second, post-ratification phase initially could include military build-up harassment West Berlin, refusals to negotiate, atomic scare propaganda. Objective: delay and disrupt implementation of WNU over 1 to 2 year period.

C. Third phase: If first and second phases unsuccessful, Soviet leaders will be faced critical decision to make real concessions on Germany, Austria and disarmament or risk general war by reverting to active aggressive policy.

VI. Unlikely that USSR will resort to retaliatory action or switch to belligerent policy which leaders believe would involve them in war at this time.

A. Over-all, coexistence policy has been effective and has begun to pay dividends.

B. Widespread retaliation and belligerence now would strengthen Western unity and force fence-sitters into American camp--as did Stalin's policies. Overriding objective of new Soviet regime continues to be isolation of US by cheap means.

VII. While ratification of Paris agreements can bring immediate and louder Soviet threats and retaliatory action in Europe, coexistence theme will continue to be played, particularly in Asia.

A. Moscow and Peking, jointly and with good coordination, are exploiting the neutralist sentiments of the under-developed Asian countries.

B. They are offering all Asian governments vague but

attractive understandings on non-interference and profitable economic and cultural relations; Peiping has reached such understandings with India and Burma, has made agreements with all five Colombo powers (India, Burma, Indonesia, Pakistan, Ceylon).

- C. USSR has initiated modest programs for economic and technical assistance in several of these countries and Afghanistan which show signs of becoming a major effort.

VIII. Peiping and Moscow have maintained sharp distinction between coexistence with America's European allies and Asian countries on the one hand, and with the United States and Nationalist China, on the other.

- A. Therefore, belligerent anti-US actions by Peiping do not contradict coexistence line.
- B. Strong anti-US line in Far East works to generate fear that US policy there is aggressive and is leading to war. This furthers isolation of US.
- C. Chinese Communists also need a "foreign devil" to justify imposition of demands and sacrifices on their people.
- D. Hence, we expect further Chinese Communist actions to provoke US.
 - 1. Propaganda exploitation of UN Secretary General's mission to Peiping: allegedly related issues of China's seat in UN, US-Nationalist security pact, Nationalist coastal raids and "piracy," UN dis-

some Chinese students.

2. Continued harassment of offshore islands, with strong possibility of assaults on some of major islands.
 3. Continuing threat to Formosa, with Peiping making further military preparations, working to isolate US on issue of support for Nationalists, increasing efforts to soften up Nationalists by subversion.
 4. Increased aid to Viet Minh, possibly to Burmese Communist as well.
 5. Threats against Thailand.
6. Record on Soviet and Chinese foreign policy moves demonstrates that right hand knows what left hand is doing and vice versa. Peiping will not lack Soviet diplomatic support, although Moscow is cautiously refraining from making official commitments of military support.
- Handwritten note:* *Hand with Bill*